

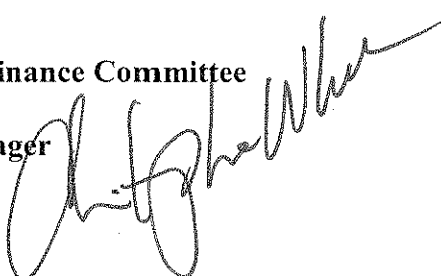
**Town of Concord
Office of the Town Manager
22 Monument Square
Concord, MA 01742**

October 2, 2012

TO: John Hutchins, Chair
Guidelines Subcommittee of the Finance Committee

FROM: Christopher Whelan, Town Manager

SUBJECT: Request for FY2014 Budget Data



This is in response to your August 3 memo requesting information to assist the Guideline Subcommittee in preparing the Finance Committee's Budget Guidelines for Fiscal Year 2014. Thank you for this opportunity to discuss the Town's current financial condition and how it may impact budgeting for town government operations in the coming year. After difficult budgeting years in FY10 and FY11, it has been very helpful to have additional resources made available in FY12 and FY13 to restore some of the services that were lost. The Town's senior managers and I recognize that the national and regional economies are still struggling to regain the strength they had prior to 2008. Lynn Salinger's excellent presentation at the Joint Committee meeting on September 21 articulately expressed the need to consider that property tax bills impact different families differently in Concord and we need to be sensitive that many families are still struggling.

In response to your specific questions, I would like to respond as follows:

1. *What is the status of current programs and services? Are any seriously under-funded now? What significant changes have occurred in the quality or scope of services to citizens over the past 2-3 years? What services may still need to be cut or reduced in FY14 to meet budget constraints? What modifications are planned, if any, in FY14 for existing program to make way for new programs? Are any programs duplicative or can any be provided in a more cost efficient manner? Should any changes in the fee structures or rates for town services or programs be considered?*

I don't believe that any services or programs in Concord are **seriously** under-funded at present. There were some modest reductions we have partly restored, notably in isolated functions in the Police, Fire and Public Works Departments, largely in areas the public is not likely to notice. It is my hope to restore shift coverage in the Fire and Police Departments back to their pre-2009 levels and to restore funding for crack-sealing and other preventive maintenance operations of the Concord Public Works (CPW) Department.

There are several emerging service issues that will likely receive some discussion in the coming months. (1) Animal control services were the topic of discussion at the Annual Town Meeting, and the request to fund an Animal Control Officer was defeated by only one vote. There was a strong sense that we could be doing more to deal humanely with both pets and wildlife. And in July, the

Legislature approved legislation requiring all communities to appoint and properly train an Animal Control Officer, not just a dog officer as Concord currently provides. (2) The Concord Fire Department has for many years operated a single Basic Life Support (BLS) ambulance out of the Walden Street station. Steadily increasing call volume has led to both below-standard response-time as well as frequent reliance on neighboring towns to provide a second ambulance via mutual aid. Development in West Concord, particularly the Concord Mews, is expected to increase demand for a second fully-staffed ambulance working out of the West Concord station. (3) Having an experienced IT professional in Mark Howell has highlighted our need for IT support services in order to meet the public's rising expectations for online 24/7 services, including to paying bills, applying for permits, and receiving public messages. The rapid development of consumer technology is putting pressure on the town to respond to developments such as social media and also to explore offering broadband services at lower cost.

I don't anticipate eliminating any services in the current fiscal year due to lack of funds. I am pleased that the IT department was able to identify a cheaper provider of broadband services which will result in a reduction in cost of more than \$76,000 per year, savings shared by the Town operations (about \$28,000) and CPS/CCRSD operations (about \$48,000) while tripling broadband capacity from 155 Mbps to 500 Mbps.

We are continuously assessing how we can do things more efficiently and welcome input from citizens and committee members to let us know of successful measures that have been used in other jurisdictions to reduce costs. We assess the competitiveness of our fee structure across all town departments roughly every two years, so while some modest fee increases can be expected, most of the low-hanging fruit in this area was picked several years ago.

2. *What new Town programs, mandates or initiatives, including Long Range Plan action items, are expected that will have a major impact on the Town's FY2014 budget? What initiatives do you foresee on the horizon over the next five years? What changes in programs, service levels, non-tax-levy resources and cost escalators do you foresee over that period?*

The Commonwealth of Massachusetts continues to mandate activities by cities and towns while alleging their new requirements have no associated costs. Such mandates include this year's mandatory Animal Control Officer appointment and training. Mandates in recent years include requiring more frequent and more complex building inspections and plans reviews, paying for training employees in the State Ethics Law, posting public meetings and committee agendas in a place that is accessible to the public 24 hours every day, and calculating the savings accruing from the Health Care Reform legislation. Taken individually, the cost of implementation is relatively minor. But coming in waves, as is usually the case, the changes take away from the time staff can allocate to the direct provision of services.

The Long Range Plan has recommended some open space protection and land acquisition, as well as some infrastructure improvements. These initiatives will be costly, but we have sufficient time to incorporate these items into the Five-Year Capital Plan. I don't foresee a large amount of expense that is outside of normal planning coming from that Plan. We are nearing completion of a Parking Management Study, which will likely recommend investment in some new parking technology such as pay-and-display kiosks and credit-card ready meters. We should be able to integrate those costs into our planning.

Telecommunications, specifically citizen access to adequate, affordable broadband services is likely to come up for discussion this year. There is some frustration that because Verizon has refused to offer

its FIOS service in Concord, Comcast has a near monopoly on broadband services. With the completion of our fiber optic telecommunication system for the Light Plant, which enables electric consumption to be monitored and controlled remotely, there may be some interest in expanding that service to include affordable broadband service.

3. *What is the status of the Town's FY13 budget? Are any problems emerging that may affect development of the FY2014 budget? Do you have plans for, or see risks to, the long-range stability of the capital or operating budgets, looking ahead over the next five years? What is the outlook for the Joint Accounts over the next five years? Use of Town land for school transportation service center?*

The FY2013 budget is in very good shape. Legal expenditures have remained within projections so far. Somewhat higher fuel and asphalt costs are impacting CPW's ability to stretch maintenance dollars. Our IT and Central Building Maintenance Funds are not able to meet all of the needs departments have for those resources. The Community Preservation Act has definitely helped provide revenue for projects that would otherwise have been financed through the General Fund.

The efforts made to implement the Health Care Reform Act have paid dividends by lowering costs to the levels we expected or slightly better. It is looking like we may be able to plan for a single-digit increase in health care costs in 2014, which will moderate expenditures from one of the more significant Joint Accounts. Additionally, the transfer of all eligible retirees to Medicare coverage, pursuant to Town action at the 2007 Annual Town Meeting and mandated statewide by the 2011 state health reform act, has reduced town costs by an estimated cumulative \$200,000 per year while requiring a less than expected \$25,000 per year in the town's reimbursement of late-enrollment penalty charges. All of these changes enable us to plan to keep the FY14 Group Insurance appropriation (account 37A) level for the third consecutive year at \$4,650,000.

Finding a parcel of Town land on which to locate the school transportation complex is very difficult, given the early hours of operation, the environmental concerns with fueling, and the general reluctance of neighbors to welcome such a use. The Town owns hundreds of acres of land that is not in conservation, so it should be possible to find a suitable site where a facility might go. The real challenge will be finding a site with little or no impact on neighbors.

4. *Is the current level of capital expenditures sufficient to maintain Concord's capital assets? What is the level of deferred maintenance? What is the projected level of capital expenditures over the next five years?*

Concord is in considerably better shape in terms of its infrastructure investments than many communities in Massachusetts. Taken together, the five-year debt plan and five-year capital outlay plan (the portion of our CIP funded from current resources) have ensured that the appropriate portion of our operating budget is set aside for capital acquisition and replacement. This forward planning enables department managers to make sound decisions concerning on-going maintenance investment and to plan for the eventual replacement of equipment. I estimate we are about \$200,000 short of adequately funding the capital budget and Central Building Maintenance Fund, due to cutbacks made in the FY09 and FY10 budget cycles when economic conditions and tax levy considerations sharply constrained budget guidelines. A portion of the Town's capital improvement program has been funded using Community Preservation Act money. This has helped somewhat. But we should explore ways to get the capital spending plan back completely on-track.

Capital investment plan resources are planned to increase modestly in line with annual budget increases over the next five years, at approximately a 3% annual rate of increase. If we are in a “no override” climate for five years, we will probably not be funding our building and equipment maintenance programs adequately.

5. *With regard to Town-employee relations, what is the status of existing labor contracts and collective bargaining initiatives? ... What are the implications thereof for salaries of the Town’s non-unionized staff? What is the recent trend in the cost of employee benefits, and what changes do you foresee over the next five years? How does the compensation of Town employees compare with that of similar surrounding towns? What changes in compensation levels do you foresee over the next five years?*

The Town is in the second year of three-year collective bargaining agreements with both the Police and Fire union employees. The Police contract (35 employees) provided for no increase in its first year (FY12). For the current year (FY13), it provides for a 0% increase for employees on July 1, 2012 and a 2.0% increase on January 1, 2013. A 2.0% increase is also called for in year three (July 1, 2013) of the agreement.

The Fire union contract (34 employees) provided a 2.5% increase in FY12, a wage increases of 2.5% in year 2 (the current year), and 3.0% in year 3 (FY14).

The Public Safety Dispatchers agreement (8 employees) expired in June of 2012, and a successor agreement was concluded in April of this year. The new contract provides for increases of 1%, 2% and 2% during the three-year life (FY13-15) of the agreement.

The Library staff formed a new union this past year and affiliated with the American Federation of State, County and Municipal Employees (AFSCME). Two separate bargaining units were recognized, one for supervisors and one for all other employees regularly working 8 hours or more per week. Negotiation with those units began in August and takes place jointly. Therefore the salary adjustments are likely to be the same for both units, which cover approximately 40 employees. It is likely to take several months to reach an agreement on those contracts, but bargaining should be concluded by the time the Town Manager’s budget is delivered to the Selectmen.

We endeavor to provide annual salary adjustments for non-union employees comparable to those offered to unionized personnel. Accordingly, I am requesting sufficient funds in FY14 to provide a 2.5% salary increase for non-union personnel. This follows a 2.0% increase two years ago and a 1.5% increase this past July 1. In addition to the 2.5% “structure movement”, our employees may receive a step increase until the employee reaches the top of the salary scale. In both FY10 and FY11, no step increase was funded. Last year the step was 2.5%. I would like to provide a similar step increase in FY14, noting that about 15% of our employees are at top-step and will not receive an adjustment beyond the structure movement.

About half of the state’s municipalities and regional school districts have utilized new State legislation (directly or indirectly) to negotiate changes in employee group health insurance plan design, which has resulted in significant savings for both the public employer and most participants. Concord and CCRSD utilized this process during FY 12 to put plan design changes into effect as of June 1, 2012. The FY13 change in health insurance cost is about 10% less than last year and the Finance Director anticipates the plan cost increase for FY14 could be less than 5%. This is a dramatic change after several years of double-digit annual increases in health

coverage costs for both employee and employer. Savings in FY13 are being directed to OPEB funding, and I now anticipate that the General Fund appropriation for FY14 in account 37A will be unchanged, while the OPEB appropriation (account 37B) is proposed to be increased by \$250,000. I expect continued moderate increases in cost during the next five years as the Commonwealth continues to seek to slow the growth in the cost of healthcare through "global payment" reforms.

Concord's salaries are competitive with those offered by area communities with similar demographics. We attempt to compensate employees in the 85% percentile of comparable communities, so we are normally above average, particularly for our managerial/professional staff. But it is often pointed out that our health care coverage is below average, so the "total compensation" comparison puts Concord in a very competitive position with communities such as Lexington and Sudbury.

I see continued pressure to provide modest pay increases as employees seek to cover the higher cost of housing in our areas, as well as higher costs for energy to commute to work.

6. *What is the Town's plan in FY14 and projected through to FY18 to meet our annual required contribution to funding of retirees' other post-employment benefits?*

The 2012 Annual Town Meeting approved an increase in the appropriation for OPEB obligations from \$150,000 to \$400,000. Our plan is to continue to allocate at least an additional \$250,000 each year toward our General Fund Net OPEB Obligation (currently estimated at \$2.7 million) until we have reached the full annual obligation. Changes made last January in the health care plans, including higher deductibles and co-pays for those using the services, are likely to result in a relative **reduction** of our Net OPEB Obligation. We have taking simultaneous steps to both meet our annual obligation and to reduce that annual obligation through cost-sharing and other health plan design changes.

As of September 30, 2012, we have accumulated \$2,911,000 in our OPEB Trust Fund. We have fully funded the Net OPEB obligation of our four enterprise funds (\$1,032,000 for the FY09-12 period) and have to date contributed \$1.6 million from the General Fund. \$280,000 has been earned on the investment of the Trust since it was established June 30, 2010. Of the \$2.9 million current balance, approximately \$1.7 million represents the General Fund share.

7. *Please provide an overview for us of how the Town of Concord measures its performance?*

Performance measures often differ by Department, depending on the kind of service provided. Each department utilizes at least three performance measures for the services they provide, as indicated in both the Town Manager's Budget book and in the Annual Town Report. For example, the Fire Department uses the biennial citizen survey to measure citizen satisfaction with Fire Department services; they measure response-times to public safety emergencies; and they measure how often the BLS ambulance is able to arrive on scene in the event of a medical emergency within the target of 6 minutes.

The citizen survey is an important tool for measuring satisfaction with and the effectiveness of town services. Perhaps we should consider undertaking the survey on an annual rather than biennial time-frame. We should also be tracking these performance measures over time and including that information in the budget book as well.

SUMMARY OF FY14 BUDGET REQUIREMENTS IDENTIFIED BY DEPARTMENT HEADS

The following list catalogues the FY14 budget needs identified either by me or by the Department senior managers. It does not represent a request for a 10% budget increase for FY14. It does represent a useful and instructive listing of service needs and current deficiencies as we consider how to allocate the more limited resources that likely will be available.

GENERAL GOVERNMENT	<i>FY14 Increment</i>
Salary Reserve (incl: contracts, steps, merit increases, reclassifications)	500,000
Increase Sustainability Fund (from \$25,000)	25,000
Information Technology – GIS and Application/Data Management	60,000
Finance – Increase Asst. Town Accountant's Hours (5 hrs./wk.)	8,000
Human Resources – Town-wide training	5,000
Additional Staff Hours	10,000
Software Replacement	10,000
Town Meeting and Reports budget	10,000

PLANNING & LAND MANAGEMENT

Health Division Lab fees for coliform testing at public beaches/pools	2,000
Healthy Community Initiatives/Program	5,000
Expanding Public Health Nursing Services beyond COA	5,000
Additional Part-time Inspector Hours	10,000
Permit-tracking Software	100,000
Restore NRC's Park Ranger Program	20,000
Rehabilitate former farm lands	25,000
Pond Maintenance (increase from \$5,000)	10,000
Recodify Zoning Bylaw	100,000
Interior Office Space Improvements	30,000
Back-up power generator (141 Keyes Rd)	30,000

POLICE

Additional Overtime (500 hours)	25,000
9 th full-time public safety dispatcher	50,000
Animal Control Officer service	20,000
Station Maintenance	5,000

FIRE

Staff 2nd Ambulance (4 new FF's, daily, 8 AM to 8 PM)	303,000
• possible <u>partial</u> funding from Emergency Response Stabilization Fund	
• estimated \$100,000+ impact on General Fund revenue	

PUBLIC WORKS

Increase Sidewalk Maintenance	25,000
Snow & Ice Account (to fund 10 year average of \$570,000)	45,000
Higher Fuel Costs	25,000
Fleet Maintenance	25,000
Field Rehabilitation	100,000
Street lighting	5,000

LIBRARY

Restore Head of Reference Position (\$73,500 less \$28,500 savings by reducing AA to half-time)	45,000
Increase Saturday hours in summer	6,000

HUMAN SERVICES

Council on Aging Staffing (associated with four-year plan utilizing \$100K Florio gift)	25,000
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OTHER

Capital Expenditures Shortfall	200,000
Visitor Service (for Chamber)	5,000
Cultural Council Support	2,000

GRAND TOTAL	\$1,876,000	(+10.0%)
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Possible Future Debt-financed Projects

Dredge/Improve Warner's Pond	200,000
141/135 Keyes Road campus (CPW and DPLM) Office space, equipment storage, fleet maintenance, salt & sand storage, site improvements	15,000,000
Higher Road Program Funding (annual)	150,000
Telecommunications	??

cc: Board of Selectmen
Finance Director
Senior Management Team